



December 7, 2007

Issue Report: Grain Inspection Committee Reviews Key Issues

USDA's Grain Inspection Advisory Committee met November 28 and 29, 2007, in Denver, Colorado, to review and discuss current inspection issues. AAGIWA Vice President, Mark Fulmer, Lincoln Inspection Service, serves on the Advisory Committee.

FGIS *Online* and Kansas City Operations

GIPSA Deputy Administrator David Shipman briefed the group on the agency's effort to modernize its business practices and the centralization of domestic oversight and general FGIS operations in Kansas City. FGIS *Online* is the term used to describe a variety of technology initiatives at FGIS designed to bring official inspection and weighing to the desktop. The following is a status report of key elements.

FGIS *Online* – in implementation

- Certificate program – deployment began March 2007. Being used by all FGIS field offices and 2 official agencies. Over 45,000 certificates have been issued using the program.
- Inspection Data Warehouse (IDW) – FGIS expects all official agencies to be participating in this program by the end of January, 2008, although this may take place in stages. All FGIS field offices and 2 official agencies are current using CRT to generate IDW records. Over 49,000 records have been transmitted to the IDW.

FGIS *Online* – in development phase

- Inspection, testing, and weighing – cu-sum, single lot, submitted, and supervision.
- Equipment check testing
- Quality assurance and control
 - Brings data to OSP, interfaces with IDW, ECT, and Licensing
 - Official inspection system includes 876 authorized or licensed grain graders. Of that, 231 are FGIS and 645 are State and Private
 - Monitoring performance of all graders. Each service location will maintain quality assurance programs. Central Kansas City facility will monitor overall performance.
- Licensing – streamlined process to improve efficiency, on-line testing, enhanced recordkeeping, interfaces with ITW, CRT, and QAQC
- Laboratory information management systems -- expanded functionality, interfacing with other FGIS systems.

FGIS will be centralizing oversight of its programs in Kansas City. Within the Technical Services Division, this will include the (1) Board of Appeals and Grading Services and (2) Equipment Testing Services. Two Field Management Division sections will be based in Kansas City, (1) Quality Assurance and Control Staff and (2) Field Operations and Support Staff. To house its employees, another building will be constructed adjacent to the current Tech Center building and the space currently used at the Beacon facility will no longer be used. The new facility will be called the National Grain Center. In addition to the Technical Services Division and the previously mentioned sections of the Field Management Division, the Grain Center will also house some FGIS Market and Program Analysis Staff, some FGIS Compliance Program staff, and some GIPSA Information Technology staff.

FGIS Customer Survey Results

Marianne Plaus, chief of FGIS' Market and Program Analysis Staff, reported that according to a 2007 survey of inspection customers, the satisfaction level of customers continues to rise compared to previous surveys.

- Timely service -- Those who agreed they received results in a timely manner increased from 90.8 percent in 2000, to 94 percent in 2007.
- Certificate receipt timeliness – those who agreed they received official certificates in a timely manner increased from 88 to 93.5 percent
- Accuracy – Those who agreed that official results are accurate increased from 80.7 to 88.8.
- Consistency – Those who agreed that official results are consistent increased from 79 to 88.6 percent.
- Value – Those who agreed that the service is a good value for the cost increased from 64 to 80 percent.
- Knowledge level – Those who agreed that inspection personnel are knowledgeable increased from 86.8 to 93 percent.
- Satisfaction – Those who agreed that the overall quality of service was satisfactory, increased from 88 to 94 percent

Technical Training Program

John Sharpe, director, FGIS' Technical Services Division, discussed training services the agency offers in light of an Advisory Committee resolution at the previous meeting to look into the possibilities of partnering with a university or other entity to offer short courses training in inspection, grading, and services. He said the agency does provide individualize training upon request and provides grading seminars at a cost of \$64 an hour. There are also limited on-line training programs available, including e-learning, grain trainers, and practice exams. Current initiatives underway include plans for a new training area at the new facility, evaluation of new photos for training, reviewing fees, and looking at possible partnerships for enhance distance learning.

Jerry Gibson with Bunge mentioned the success GEAPS has had with the on-line distance learning program it offers in partnership with Purdue University. The Committee approved a resolution recommending “that GIPSA explore the possibility of joining efforts with GEAPS and Purdue, through their distance learning program, to promote education around the U.S. Grain Standards and grain grading procedures.”

Phytosanitary Procedures

Bob Lijewski, chief, Standards and Procedures Branch, reviewed the for phytosanitary inspections procedures. He provided an overview of the official system’s role in providing phytosanitary inspections, beginning with the original authority to inspect export lots of grain for insects and other pests, such as weed seeds. This authority was expanded and in 2007 APHIS revised its policy to allow official inspection agencies to issue phytosanitary certificates for processed products, in addition to grain, rice, graded commodities and processed commodities.

Due to the increase in volume of grain exported in containers and the APHIS policy change concerning the inspection of processed products, GIPSA/official agencies have experienced a significant increase in requests for phytosanitary inspection service.

- FGIS/official agencies performed about 2,300 phyto inspections on processed products during the month of September and 3,600 in October.
- In addition, FGIS/official agencies are providing inspections for grade and phyto on an average of 20,000 grain containers, 7,000 export railcars and 250 ships per month.

Mechanical Diverter Sampler Issues

Mr. Lijewski also reported on several diverter sampler issues.

- A recent review of D/T sampling systems at export port facilities has uncovered several locations where sampling systems are not fully controlled by official personnel.
- The problems are not widespread and is limited to only a few elevators, however, the potential for tampering with the sampling system operation is significant and must be addressed by FGIS.
- At interior service points, FGIS has found D/T sampling systems that have been altered with the addition of a “plug sensor” switch that shuts off the sampling system.
- FGIS will enforce its authority to maintain complete control of the sampling systems and has proposed several options to correct the situations found at export and domestic locations.

Ethanol/ Distillers Grains Standards Review

Marianne Plaus briefed the Committee on the responses the Agency has received on its request for comments on this basic question: *What should GIPSA’s role, if any, be in facilitating the*

marketing of the grains going into ethanol production and the resultant co-products. She said those submitting comments were generally opposed to the idea of (1) a refining co-product definition, (2) testing inputs (bulk grains) and outputs (co-products), and (3) establishing standards for co-products.

Soybeans Standards Review

Ms. Plaus also reported that the agency had asked for comments about the merits of a variety of potential changes in the soybean standards in a notice published in May 2007. The questions focused on foreign material, damage, visual reference images, other factors, basis of determination, and food grade soybeans. She said the American Soybean Association has asked that the limits for foreign material in No. 2 soybeans be reduced by 20 percent, while the grain industry trade associations believe there is no reason to change the current limits. The agency will be collecting three more years of quality data before proposing any definitive changes.

Third-Party Contracting Pilot Program

John Giler, director, Field Management Division, reported on the Third-Party Contracting Pilot Program. He said the program will continue through the 2008 season in the Great Lakes. In general, the agency has found that the services provided by private contractor's do not necessarily cost less than FGIS-provided services. The Agency has also been surprised by the lack of competition from contractors interested in providing official services as part of the pilot program. The overall question boils down to whether there are real efficiencies to be gained through the use of private companies.

The committee debated at some length a resolution asking for a time-line for moving to third-party contracting at export. FGIS officials suggested tempering that approach, saying it was not yet convinced the pilot program had been a success. The Committee ultimately approved the following resolution:

The Committee recommends that GIPSA continue the contracting pilot program, having periodic reviews with industry regarding the progress. The Committee also recommends that FGIS expand the third-party contracting program to additional export ports where it is economically beneficial to industry and FGIS. Any plans for expansion should be presented at the next Advisory Committee meeting.

International Affairs Overview

John Pitchford, director, FGIS Office of International Affairs, reported on a variety of issues, including continuing outreach programs with Mexico and the discontinuing of testing for Starlink in corn. He mentioned that several countries are setting maximum

limits for the presence of malathion in wheat. Korea is proposing to implement a pre-harvest 0.5 ppm maximum residue limit (MRL) for malathion on May 1, 2008. Taiwan has already implemented the 0.5 ppm MRL. In the United States, Japan, and European Union, the post-harvest MRL for malathion is 0.8 ppm.

Inspection and Weighing Fees

John Giler provided an overview of the agency’s current thinking on grain inspection and weighing fees, noting the fees have not been adjusted for 3.5 years. He made these points:

- Overall, the grain export program is operating with a positive margin.
- Hourly rates (contract and non-contract) are covering expenses and contributing toward the 3-month reserve.
- Tonnage rates are not covering support expenses.
- Grain export fees are not operating as designed to cover specific costs of the program.

Financial Update

Pat Donohue-Galvin, director, GIPSA Budget and Planning Staff, provided the Committee with an update on the Agency’s finances. She said the agency centralized all of its administrative functions in 2007 – shifting some programs from FGIS and some from Packers and Stockyards – to form a Management Support Staff. The net result, though, was an increased cost to the grain programs of \$472,000.

The following charts providing an overview of current account status.

Supervision of Official Agencies Program FY 2007/2006 Comparison (Dollars in Millions)		
	FY 06	FY 07
Revenue	\$ 2.2	\$ 2.3
Expenses		
Agency Support	0.2	0.3
Central Charges	0.1	0.1
Program Support	0.4	0.4
Program Delivery	0.9	1.0
Total Expenses	1.6	1.8
Margin	\$ 0.6	\$ 0.5

GIPSA FY 2007 Financial Report User Fee Programs (Dollars in Millions)					
	Grain I & W	Official Agencies	Rice Insp.	Comm. Insp.	Total
Reserve – Oct ‘06	2.3	1.4	(0.1)	1.9	5.5
Revenue	31.4	2.3	3.4	2.0	39.1
Expenses	30.5	1.8	4.0	2.4	38.7
Margin	0.9	0.5	(0.6)	(0.4)	0.4
Prior Year	0.4	0.1	0.1	0.3	0.9
Reserve – Oct ‘07	3.6	2.0	(0.6)	1.8	6.8
Target Reserve	7.3	0.5	1.2	0.6	9.6

Prior to adjourning, FGIS announced the next meeting would be held April 21, 2008 in Minneapolis. A complete copy of the resolutions approved by the Committee follows.

Resolutions Approved by the Grain Inspection Advisory Committee

November 29, 2007

1. The Committee recommends that GIPSA continue to explore new methods of training and licensing official personnel for inspector licenses.
2. The Committee recommends that GIPSA explore the possibility of joining efforts with GEAPS and Purdue, through their distance learning program, to promote education around the U.S. Grain Standards and grain grading procedures.
3. The Committee recommends that GIPSA continue the Farm Gate Survey to determine the quality of U.S. soybeans coming off the farm. In the interest of the soybean industry, GIPSA needs to sample and maintain a database of Farm Gate acquired samples for all factors including protein, oil, linolenic acid, and other factors. The Committee recommends GIPSA partner with other organizations that may be collecting similar data. This survey, at a minimum, needs to be a 5 year baseline with preference to a continuing database.
4. The Committee recommends that GIPSA continue the contracting pilot program, having periodic reviews with industry regarding the progress. The Committee also recommends that FGIS expand the third-party contracting program to additional export ports where it is economically beneficial to industry and FGIS. Any plans for expansion should be presented at the next Advisory Committee meeting.
5. The Committee recommends that GIPSA continue performing the customer survey, and share the findings of the survey with industry, including sharing the actions GIPSA has taken to improve the satisfaction of its customers.
6. The Committee recommends that GIPSA continue to work with APHIS to ensure the Memorandum of Understanding is meeting the needs of industry and that there is a free flow of information and documentation between the two agencies. The Committee also recommends that GIPSA share with APHIS its process for issuing certificates with electronic signatures, helping them establish a similar system to meet industry's needs.
7. The Committee recommends that GIPSA continue to make itself available to help the ethanol industry develop necessary analytical tools.
8. The Committee recommends that GIPSA continue to explore ways to measure wheat functionality and develop, alone or in partnership with a 3rd party, rapid and repeatable test(s) for determining wheat functionality.
9. The Committee recommends expanding Farm Gate Surveys to include separation and identification of all weed seeds occurring in the samples.